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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Revision of Part 22 and Part 90
of the Commission's Rules to Facilitate
Future Development of Paging Systems

WT Docket No. 96-18

Implementation of Section 309(j)
of the Communications Act --
Competitive Bidding

PP Docket No. 93-253

To: The Commission

REPLY COMMENTS OF PUERTO RICO TELEPHONE COMPANY

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April 2, 1996

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REPLY COMMENTS OF PUERTO RICO TELEPHONE COMPANY

Puerto Rico Telephone Company ("PRTC"), by its attorneys and pursuant to Section 1.415 of the Commission's Rules,¹ hereby submits its reply comments in the Commission's Notice of Proposed Rule Making ("NPRM") in the captioned proceeding.² In its Comments, PRTC, like other participants, has expressed its opposition to the implementation of competitive bidding rules for mutually exclusive Basic Exchange Telephone Radio Service ("BETRS") and paging applications.

1. 47 C.F.R. § 1.415.

2. FCC 96-52, released February 9, 1996.

I. INTRODUCTION

PRTC, a government instrumentality of the Commonwealth of Puerto Rico, provides wireline telephone service throughout the urban and rural areas of the island of Puerto Rico. PRTC has dramatically increased telephone service penetration over the past twenty years and continues to pursue additional ways in which to provide service, especially to its rural customers.

The continued affordable availability of frequencies on which to operate BETRS is of serious concern to PRTC as it continues to implement this technology to provide cost-effective service. This effort is central to PRTC's social responsibility as a governmental entity created to improve the island's telephone infrastructure. Therefore, PRTC opposes any proposal to auction spectrum for BETRS, the result of which will be the unavailability of basic telephone service to rural areas.

I. COMPETITIVE BIDDING FOR BETRS AUTHORIZATIONS IS CONTRARY TO THE COMMISSION'S UNIVERSAL SERVICE MISSION.

The Commission has a statutory duty

to make available, so far as possible, to all the people of the United States a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges

47 U.S.C. 151. The Commission proposal to impose competitive bidding rules for mutually exclusive BETRS and paging application is inconsistent with this mission. Competitive bidding for authorizations will increase the cost of providing basic telephone service to sparsely populated rural areas. Such a

result is antithetical to the Commission's statutory mission to facilitate universal telephone service. This proposal will make even more difficult efforts by local exchange carriers, like PRTC, to provide universal service. See Comments of Small Business in Telecommunications at 7 (stating that "BETRS systems are a vital portion of the Commission's efforts to provide universal telephone service to even the most remote portions of the Nation") ("SBT Comments").

In the NPRM, the Commission sought comments on its proposal to revise the rules governing paging by issuing licenses by geographic area rather than on a site-by-site and by auctioning mutually exclusive licenses. The Commission also requested comments regarding its proposal to hold an auction in the event of mutually exclusive applications for BETRS and paging frequencies. The Commission stated that these proposed changes provide ways to promote growth and preserve competition in the paging industry, to establish a comprehensive regulatory scheme to simplify and streamline licensing procedures, and to meet the statutory objective of regulatory symmetry for all Commercial Mobile Radio Services ("CMRS"). NPRM at ¶¶ 1-2.

Implementing competitive bidding rules for mutually exclusive BETRS and paging applications satisfies none of these objectives that apply, if at all, solely to paging services. The Commission's proposal to govern the assignment of BETRS frequencies using the same method as for competitive CMRS services like paging, cellular and PCS is in conflict with its

fundamental statutory mission. BETRS was developed with the specific intention of providing cost-effective, basic telephone service to rural areas. See In the Matter of Basic Exchange Telecommunications Radio Service, Report and Order, 3 FCC Rcd 214 (1988), on recon., 4 FCC Rcd 5017 (1989) (approving BETRS to provide service to areas where "the cost of bringing wire or cable to their remote locations is prohibitive"). The regions served by BETRS are sparsely populated and expensive to serve. Forcing BETRS applicants to outbid urban-based paging applicants in order to obtain spectrum could eliminate this service as a cost-effective tool for extending service that would otherwise be unavailable. Under these circumstances, the Commission must not forsake its universal service mission in seeking to implement an auction-based licensing process for paging services.³

II. BETRS IS THE MOST ECONOMICAL MEANS FOR PROVIDING SERVICE TO RURAL AREAS.

Traditional wireline service is prohibitively expensive to install in some regions of Puerto Rico. The mountainous terrain spanning parts of the island makes widespread installation of wireline facilities extraordinarily expensive. The cost per local loop to install wireline service for some areas intended to be served by BETRS ranges from \$5,000 to \$10,000, and in some cases may exceed \$15,000. In contrast, the national average cost

3. The Commission is prohibited by statute from adopting competitive bidding policies based on "the expectation of Federal revenues from the use of a system of competitive bidding." 47 U.S.C. § 309(j)(7)(A).

per local loop is \$243.⁴ Radio service, which can be provided to the same areas for less than \$2,600 per subscriber, is the clear option for PRTC as part of its ongoing effort to increase telephone service availability. No other service provider has proposed to offer this or any other service in these rural regions.

BETRS service is essential because rural areas will likely remain unserved if left solely to CMRS providers. Calling volumes in these rural areas are very low. Therefore, CMRS service providers are unlikely to have the incentive to offer basic service in rural areas through the use of cellular or PCS technology. See SBT Comments at 7; Comments of InterDigital at 4 (stating that cellular and PCS providers will not build BETRS facilities without the benefit of high population of vehicular traffic). See also Comments of Organization for the Promotion and Advancement of Small Telecommunications Companies at 7 (asserting that once a license is auctioned to a paging provider, "there is no guarantee that a PCS or other wireless provider would provide basic telephone service to these remote customers").

BETRS technology permits PRTC to offer local exchange service to individuals who have never experienced the health, social, and economic benefits of basic telephone service. For example, PRTC forecasts that within two years due to BETRS

4. Federal-State Joint Board Staff, Monitoring Report, CC Docket No. 87-339, Table 3.7 at 86 (May 1995).

technology, it will be able to offer service for the first time to an estimated 6,000 citizens.⁵ Similar strides toward universal service on the island may not be possible once frequencies are no longer available and affordable for the service.

The Commission's proposal to auction frequencies subject to mutually exclusive BETRS and paging applications will defeat the cost-effective nature of this rural service. This outcome would be contrary to the Commission's prior finding that "[i]t would not serve the public interest for the Commission to establish services such as the BETRS as a potentially less costly alternative to landline service and then require a BETRS applicant to bid against a radio common carrier applicant for those frequencies."). In the Matter of Implementation of Section 309(j) of the Communications Act -- Competitive Bidding, Second Report and Order, 9 FCC Rcd 2348, 2356 ¶ 46 (1994). See also Comments of United States Telephone Association at 2. If PRTC is required to bid against a paging applicant that can predicate its bid on urban-based revenues, it may be precluded from obtaining additional BETRS authorizations.

5. These numbers represent significant achievements in service penetration for PRTC. Telephone service penetration in Puerto Rico was barely at 25 percent in 1974. Although PRTC has made great strides in providing quality telephone service, telephone penetration in Puerto Rico remains low by United States standards. United States telephone penetration is 93.8 percent nationally, while overall penetration in Puerto Rico is 71 percent and below 50 percent in some areas of the island. Id., Table 1.2 at 27.

III. AUCTIONS FOR BETRS AUTHORIZATIONS IN PUERTO RICO ARE LIKELY UNDER THE NPRM PROPOSALS.


The possibility for mutually exclusive applications in Puerto Rico is great. The Commission has proposed that Puerto Rico and the Virgin Islands will be grouped into one geographic area. NPRM at ¶ 34. This arrangement all but guarantees that PRTC would face an auction to acquire additional BETRS authorizations under the proposed rules.

In Puerto Rico the 450 MHz band is highly saturated. The Commission's suggestion that "[b]ecause the areas served by BETRS are sparsely populated, they typically are not sought by paging operators", NPRM at § 29, does not hold true in the case where the geographic license area encompasses an entire region — like Puerto Rico — that includes both populated areas that already enjoy paging service and rural areas that require basic service to be provided over the same saturated frequencies. Applications for additional authorizations in this geographic area are likely to result in a costly auction.

CONCLUSION

For the foregoing reasons and the reasons stated in Comments by PRTC, the Commission should uphold its prior findings that BETRS is not a service appropriate for auction. PRTC also reiterates its prior requests that the Commission should consider setting aside spectrum designated solely for BETRS.

Respectfully submitted,



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April 2, 1996

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Comments of Puerto Rico Telephone Company has been served by hand delivery on the 2nd day of April, 1996 upon:

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W./Room 222
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Tina M. Pidgeon